



AMG ADVANCED METALLURGICAL GROUP N.V. REPORTS SECOND QUARTER 2020 RESULTS

Coronavirus Update

- As of today, we have 4 active confirmed coronavirus cases globally. These cases have not resulted in a facility closure or operational interruption. To protect the health and safety of its employees, AMG continues to implement preventive measures such as practicing social distancing, remote working when possible, and restrictions on travel.
- All of our production facilities are operating.

Strategic Highlights

- AMG has committed \$166 million as of June 30, 2020 in construction and engineering contracts for investment in a second ferrovanadium plant in Zanesville, Ohio and the project remains on schedule.
- AMG continued basic engineering for its lithium project in Zeitz, Germany and a final investment decision is planned in due course.
- Shell & AMG Recycling B.V. is operating and continues to pursue refinery residue recycling opportunities globally.

Financial Highlights

- AMG's liquidity as of June 30, 2020 was \$390 million, with \$220 million of unrestricted cash and \$170 million of revolving credit availability.
- Cash from operating activities was \$20.3 million in the second quarter of 2020, a \$31.4 million increase over the same period in 2019.
- Free cash flow⁽¹⁾ was a robust \$11.6 million in the second quarter of 2020.
- EBITDA was \$7.8 million in the second quarter of 2020, a 67% decrease from \$23.8 million in the second quarter of 2019. COVID-19 had a negative \$18 million impact in the second quarter of 2020 which is explained in more detail on pages 2 and 3.
- SG&A declined 20% in the second quarter of 2020 to \$27.2 million, compared to \$33.8 million in the second quarter of 2019, due to lower personnel costs and ongoing cost reduction initiatives.
- AMG declares an interim dividend of €0.10 per ordinary share, reduced from €0.20 in the prior year, to be paid in the third quarter of 2020.

Note:

- (1) Free cash flow is defined as cash flows from operating activities less cash flows used in investing activities.

Amsterdam, 28 July 2020 (Regulated Information) --- AMG Advanced Metallurgical Group N.V. (“AMG”, Euronext Amsterdam: “AMG”) reported second quarter 2020 revenue of \$207.6 million, a 32% decrease from \$303.6 million in the second quarter of 2019. EBITDA for the second quarter of 2020 was \$7.8 million, a 67% decrease from \$23.8 million in the second quarter of 2019, largely due to pandemic-induced lower volumes and prices versus the second quarter of last year. EBIT decreased to (\$2.9) million in the second quarter of 2020 from \$13.7 million in the second quarter of 2019.

Revenue dropped 32% in the second quarter of 2020, driven by pandemic-related impacts across AMG’s entire portfolio. AMG Technologies achieved an EBITDA of \$2.2 million in the second quarter of 2020, an 81% decline from the second quarter of 2019. The decline was primarily driven by reduced aerospace activity leading to order postponements and volume reductions, as well as lower profitability associated with metal price declines for the Titanium Alloys and Coatings business. AMG Critical Materials achieved an EBITDA of \$5.5 million, a 55% decrease from the second quarter of 2019, due to weak volumes and pricing reflecting the general economic downturn.

Dr. Heinz Schimmelbusch, Chairman of the Management Board and CEO, said, “Out of our 3,124 total AMG employees at 33 sites in 15 countries, AMG has 4 active confirmed coronavirus cases globally.

“In these unprecedented times our priority is to preserve a strong liquidity position. Our liquidity position is \$390 million and is higher than last quarter. Operating cash flow is strong and substantially surpasses operating cash flow in the second quarter of 2019. We are embarking on comprehensive programs to reduce operating costs, SG&A, working capital, and freezing all non-essential capital expenditures. The current global pandemic significantly impacted our financial results with dramatically lower volumes, especially in our aerospace sector, compounding the historically low prices AMG is experiencing across our portfolio.

“We continue to progress our key strategic programs: the construction of the plant in Zanesville, Ohio, which will essentially double our recycling capacity for refinery residues, is proceeding as planned, utilizing the funds raised from our municipal bond. Basic engineering of the new lithium hydroxide production facility in Germany continues and a final investment decision is planned in due course. Shell & AMG Recycling B.V. continues to pursue refinery residue recycling opportunities globally.”

COVID-19 Effect on AMG’s Business

EBITDA was significantly lower during the quarter as a result of temporary pandemic-related interruptions to our business. As such, we are providing a summary of the estimated impact of the pandemic on our operations during the second quarter. Our estimated COVID-19 EBITDA impact is approximately \$18 million for the second quarter. This has been estimated based on a bottom-up analysis of our business units and a detailed comparison to the Company’s financial plan prior to the pandemic.

AMG Critical Materials' pandemic-related impacts were due to a confluence of events in our various end-use markets. In particular, we saw decreased and postponed volumes from our aerospace and automotive customers, and we faced pandemic-related shipping issues which increased costs for our business. In addition, US steel production volumes were significantly below previous downturns, which negatively impacted vanadium price.

AMG Technologies' pandemic-related impacts were mostly driven by decreased and postponed volumes from our aerospace customers, but we also experienced difficulty finalizing vacuum furnace orders due to global travel restrictions. Our Heat Treatment Service operations were impacted by the temporary closure of certain of our customer's plants.

Restructuring Programs

AMG is executing an initial restructuring program which is expected to reduce operating costs by \$15 million per annum. This program will be complemented by further cost cutting actions, but currently we expect to achieve the full \$15 million run-rate cost savings by the end of 2021. As part of this initial program, in addition to headcount reductions, we analyzed our operational costs in each facility and took measures to extract savings from our suppliers, increase recycling of off-spec material and increase production efficiency at every plant. In addition to this substantial reduction in operating cost, AMG has taken advantage of government supported furlough and short work ("*Kurzarbeit*") programs, and in the second quarter we temporarily reduced our headcount by approximately 500 full time equivalent employees. We have also reduced professional fees and research and development costs and cut back on SG&A expenses across the company.

Key Figures

In 000's US dollars

	Q2 '20	Q2 '19	Change
Revenue	\$207,610	\$303,612	(32%)
Gross profit (loss)	20,541	(4,159)	N/A
Gross margin	9.9%	(1.4%)	
Operating loss	(6,690)	(37,885)	N/A
Operating margin	(3.2%)	(12.5%)	
Net loss attributable to shareholders	(12,510)	(31,096)	N/A
EPS - Fully diluted	(0.44)	(1.02)	N/A
EBIT (1)	(2,901)	13,660	N/A
EBITDA (2)	7,756	23,791	(67%)
EBITDA margin	3.7%	7.8%	
Cash from (used in) operating activities	20,333	(11,027)	N/A

Note:

- (1) EBIT is defined as earnings before interest and income taxes. EBIT excludes restructuring, asset impairment, inventory cost adjustments, environmental provisions, exceptional legal expenses, equity-settled share-based payments, strategic expenses and includes foreign currency gains or losses.
- (2) EBITDA is defined as EBIT adjusted for depreciation and amortization.

Operational Review

AMG Critical Materials

	Q2 '20	Q2 '19	Change
Revenue	\$127,422	\$198,512	(36%)
Gross profit (loss)	9,715	(25,189)	N/A
<i>Gross profit excluding exceptional items</i>	12,167	22,564	(46%)
Operating loss	(4,708)	(43,029)	N/A
EBITDA	5,537	12,385	(55%)

AMG Critical Materials' revenue in the second quarter decreased by \$71.1 million, or 36%, to \$127.4 million, driven largely by lower average prices across all seven business units during the quarter, partially offset by higher sales volumes of ferrovanadium and lithium concentrate.

Gross profit in the second quarter increased by \$34.9 million to \$9.7 million. The increase was primarily driven by a non-cash expense in the prior year related to a vanadium inventory adjustment as a result of lower vanadium prices.

SG&A expenses in the second quarter of 2020 were \$14.4 million, \$3.5 million lower than the second quarter 2019, primarily due to lower personnel costs, lower professional fees, and cost reduction efforts across the business.

The second quarter 2020 EBITDA margin was 4% due to lower profitability in the quarter as noted above.

AMG Technologies

	Q2 '20	Q2 '19	Change
Revenue	\$80,188	\$105,100	(24%)
Gross profit	10,826	21,030	(49%)
<i>Gross profit excluding exceptional items</i>	11,084	23,441	(53%)
Operating (loss) profit	(1,982)	5,144	N/A
EBITDA	2,219	11,406	(81%)

Order backlog decreased 10% versus March 31, 2020, resulting in a level of \$216.9 million as of June 30, 2020, as the Company signed \$32.0 million in new orders during the second quarter of 2020. This represents a 0.6x book to bill ratio. This lower book to bill ratio was a result of decreased activity in the aerospace market, partially offset by strong orders of heat treatment and remelting furnaces.

AMG Technologies' second quarter 2020 revenue decreased due to lower prices and volumes driven by slowdowns in both the aerospace and automotive sectors as a result

of the pandemic. Consequently, second quarter 2020 gross profit decreased by \$10.2 million, or 49%, to \$10.8 million.

SG&A expenses decreased to \$12.8 million in the second quarter of 2020, \$3.1 million lower than the same period in 2019 due to lower personnel costs, lower professional fees, and ongoing cost reduction efforts across the business.

AMG Technologies' second quarter EBITDA decreased by 81%, or \$9.2 million, to \$2.2 million from \$11.4 million in the second quarter of 2019 due to lower profitability related to the challenging economic environment as outlined above.

Financial Review

Tax

AMG recorded an income tax benefit of \$0.4 million in the second quarter of 2020, compared to a benefit of \$13.5 million in the same period in 2019. This differential is mainly due to higher pre-tax income versus the prior year's second quarter. However, the company continued to recognize a net tax benefit due to local operating losses. Movements in the Brazilian real exchange rate impact the valuation of the Company's net deferred tax assets. The devaluation of the real during the second quarter of 2020 resulted in an additional non-cash tax expense of \$2.1 million, compared to a benefit of \$1.2 million in the same period in 2019.

AMG received tax refunds of \$2.4 million in the second quarter of 2020, compared to tax payments of \$6.3 million in the same period in 2019. The current quarter benefited from tax refunds from 2019 as well as the extensive relief due to international COVID-19 tax measures which enabled AMG to delay most of its tax payments during the quarter.

Exceptional Items

AMG's second quarter 2020 gross profit of \$23.3 million includes exceptional items, which are not included in the calculation of EBITDA.

A summary of exceptional items included in gross profit in the second quarters of 2020 and 2019 are below:

Exceptional items included in gross profit

	Q2 '20	Q2 '19	Change
Gross profit (loss)	\$20,541	(\$4,159)	N/A
Inventory cost adjustment	1,093	44,796	(98%)
Restructuring expense	370	144	157%
Asset impairment expense	81	5,224	(98%)
Strategic project expense	1,166	–	N/A
Gross profit excluding exceptional items	23,251	46,005	(49%)

As a result of a decrease in metal prices versus the first quarter of 2020, AMG had a \$1.1 million exceptional non-cash expense for inventory cost adjustments during the second quarter which has been adjusted in EBITDA. The Company is in the ramp-up phase for three significant strategic expansion projects, including AMG Vanadium's expansion project, the joint venture with Shell, and the lithium expansion in Germany, which incurred \$1.2 million of project expenses during the quarter but are not yet operational. AMG is adjusting EBITDA for these exceptional charges.

Liquidity

	June 30, 2020	December 31, 2019	Change
Senior secured debt	\$365,657	\$366,682	–
Cash & equivalents	220,311	226,218	(3%)
Senior secured net debt	145,346	140,464	3%
Other debt	16,464	12,144	36%
Net debt excluding municipal bond	161,810	152,608	6%
Municipal bond debt	319,807	319,911	–
Restricted cash	272,327	309,581	(12%)
Net debt	209,290	162,938	28%

AMG had a net debt position of \$209.3 million as of June 30, 2020. This increase was mainly due to the significant investment in growth initiatives during the quarter, especially the vanadium expansion.

Cash from operating activities of \$20.3 million in the second quarter of 2020 increased by \$31.4 million compared to the same period in 2019, primarily due to operational efficiency and cash preservation management in 2020 to ensure ongoing financial health and stability.

Capital expenditures, including capitalized borrowing costs, increased to \$30.9 million in the second quarter of 2020 compared to \$12.4 million in the same period in 2019. Capital spending in the second quarter of 2020 included \$3.6 million of maintenance capital. The remaining \$27.3 million of capital spending is largely attributable to AMG Vanadium's expansion project.

As of June 30, 2020, AMG had \$220 million of unrestricted cash and equivalents and total liquidity of \$390 million.

Net Finance Costs

AMG's second quarter 2020 net finance costs decreased to \$6.3 million from \$6.8 million in the second quarter of 2019. Additionally, AMG capitalized \$3.7 million of borrowing costs in the second quarter of 2020 driven by interest associated with the Company's tax-exempt municipal bond supporting the vanadium expansion in Ohio.

SG&A

AMG's second quarter 2020 SG&A expenses were \$27.2 million compared to \$33.8 million in the second quarter of 2019, due to continued cost reduction efforts across the business as detailed earlier.

Outlook

AMG's first and most important priority is to ensure the health and safety of our employees. Additionally, we are acutely focused on the financial health of the company and are dedicated to preserving our strong liquidity position. While maintaining a strong balance sheet, we continue to drive long-term value creation through our transformational strategic projects in vanadium recycling and in our lithium downstream expansion.

Given the results in the first half of the year, the full year EBITDA is unlikely to reach the level of 2019.

Net loss to EBITDA reconciliation

	Q2 '20	Q2 '19
Net loss	(\$12,606)	(\$31,185)
Income tax benefit	(413)	(13,474)
Net finance cost*	5,802	6,578
Equity-settled share-based payment transactions	1,254	1,611
Restructuring expense	370	144
Inventory cost adjustment	1,093	44,796
Asset impairment expense	81	5,224
Strategic project expense	1,166	–
Others	352	(34)
EBIT	(2,901)	13,660
Depreciation and amortization	10,657	10,131
EBITDA	7,756	23,791

*Excludes foreign exchange expense.

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Income Statement

For the quarter ended June 30

In thousands of US dollars

	2020	2019
	Unaudited	Unaudited
Continuing operations		
Revenue	207,610	303,612
Cost of sales	187,069	307,771
Gross profit (loss)	20,541	(4,159)
Selling, general and administrative expenses	27,209	33,818
Net other operating expense (income)	22	(92)
Operating loss	(6,690)	(37,885)
Finance income	(419)	(1,389)
Finance cost	6,748	8,163
Net finance cost	6,329	6,774
Loss before income tax	(13,019)	(44,659)
Income tax benefit	(413)	(13,474)
Loss for the period	(12,606)	(31,185)
Loss attributable to:		
Shareholders of the Company	(12,510)	(31,096)
Non-controlling interests	(96)	(89)
Loss for the period	(12,606)	(31,185)
Loss per share		
Basic loss per share	(0.44)	(1.02)
Diluted loss per share	(0.44)	(1.02)

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Income Statement

For the six months ended June 30

In thousands of US dollars

	2020	2019
	Unaudited	Unaudited
Continuing operations		
Revenue	485,900	650,135
Cost of sales	422,199	587,174
Gross profit	63,701	62,961
Selling, general and administrative expenses	62,096	71,175
Net other operating income	31	125
Operating profit (loss)	1,636	(8,089)
Finance income	(1,291)	(2,360)
Finance cost	13,028	18,351
Net finance cost	11,737	15,991
Loss before income tax	(10,101)	(24,080)
Income tax expense (benefit)	16,102	(7,598)
Loss for the period	(26,203)	(16,482)
Loss attributable to:		
Shareholders of the Company	(26,078)	(16,269)
Non-controlling interests	(125)	(213)
Loss for the period	(26,203)	(16,482)
Loss per share		
Loss earnings per share	(0.92)	(0.54)
Loss earnings per share	(0.92)	(0.54)

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Statement of Financial Position

In thousands of US dollars

	June 30, 2020 Unaudited	December 31, 2019
Assets		
Property, plant and equipment	466,570	429,993
Goodwill and other intangible assets	41,265	41,923
Derivative financial instruments	19	922
Other investments	23,074	23,565
Deferred tax assets	53,605	60,945
Restricted cash	272,327	309,581
Other assets	7,953	11,072
Total non-current assets	864,813	878,001
Inventories	178,219	204,152
Derivative financial instruments	295	2,693
Trade and other receivables	106,264	119,052
Other assets	43,157	33,860
Current tax assets	3,452	7,980
Cash and cash equivalents	220,311	226,218
Total current assets	551,698	593,955
Total assets	1,416,511	1,471,956

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Statement of Financial Position
(continued)

<i>In thousands of US dollars</i>	June 30, 2020 Unaudited	December 31, 2019
Equity		
Issued capital	831	831
Share premium	489,546	489,546
Treasury shares	(80,584)	(83,880)
Other reserves	(133,325)	(116,358)
Retained earnings (deficit)	(163,690)	(129,626)
Equity attributable to shareholders of the Company	112,778	160,513
Non-controlling interests	23,936	23,893
Total equity	136,714	184,406
Liabilities		
Loans and borrowings	664,403	669,497
Lease liabilities	43,672	46,490
Employee benefits	175,972	175,870
Provisions	14,749	28,984
Other liabilities	7,479	3,629
Derivative financial instruments	5,218	4,289
Deferred tax liabilities	5,885	4,300
Total non-current liabilities	917,378	933,059
Loans and borrowings	29,873	21,740
Lease liabilities	4,177	4,227
Short-term bank debt	7,652	7,500
Other liabilities	61,129	61,479
Trade and other payables	159,497	157,108
Derivative financial instruments	16,233	4,037
Advance payments	38,194	57,650
Current tax liability	18,497	18,299
Provisions	27,167	22,451
Total current liabilities	362,419	354,491
Total liabilities	1,279,797	1,287,550
Total equity and liabilities	1,416,511	1,471,956

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Statement of Cash Flows

For the six months ended June 30

In thousands of US dollars

	2020 Unaudited	2019 Unaudited
Cash from (used in) operating activities		
Loss for the period	(26,203)	(16,482)
Adjustments to reconcile net loss to net cash flows:		
Non-cash:		
Income tax expense (benefit)	16,102	(7,598)
Depreciation and amortization	21,135	20,166
Asset impairments	98	5,224
Net finance cost	11,737	15,991
Loss (gain) on sale or disposal of property, plant and equipment	114	(102)
Equity-settled share-based payment transactions	2,744	2,729
Movement in provisions, pensions, and government grants	(6,432)	(4,168)
Working capital and deferred revenue adjustments	4,724	3,018
Cash generated from operating activities	24,019	18,778
Finance costs paid, net	(8,826)	(12,752)
Income tax received (paid), net	1,461	(10,118)
Net cash from (used in) operating activities	16,654	(4,092)
Cash used in investing activities		
Proceeds from sale of property, plant and equipment	6	295
Acquisition of property, plant and equipment and intangibles	(46,480)	(25,111)
Investments in associates and joint ventures	(1,000)	-
Change in restricted cash	37,254	808
Capitalized borrowing cost	(6,350)	-
Other	3	8
Net cash used in investing activities	(16,567)	(24,000)

AMG Advanced Metallurgical Group N.V.
Condensed Interim Consolidated Statement of Cash Flows
(continued)

For the six months ended June 30

In thousands of US dollars

	2020	2019
	Unaudited	Unaudited
Cash used in financing activities		
Proceeds from issuance of debt	6,370	-
Repayment of borrowings	(2,281)	(1,750)
Proceeds from issuance of common shares	-	3,100
Net repurchase of common shares	(638)	(71,033)
Dividends paid	(6,167)	(10,335)
Payment of lease liabilities	(2,167)	(1,914)
Contributions by non-controlling interests	368	-
Net cash used in financing activities	(4,515)	(81,932)
Net decrease in cash and cash equivalents	(4,428)	(110,024)
Cash and cash equivalents at January 1	226,218	381,900
Effect of exchange rate fluctuations on cash held	(1,479)	(144)
Cash and cash equivalents at June 30	220,311	271,732

This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

This press release contains regulated information as defined in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

About AMG

AMG is a global critical materials company at the forefront of CO₂ reduction trends. AMG produces highly engineered specialty metals and mineral products and provides related vacuum furnace systems and services to the transportation, infrastructure, energy, and specialty metals & chemicals end markets.

AMG Critical Materials produces aluminum master alloys and powders, ferrovandium, natural graphite, chromium metal, antimony, lithium, tantalum, niobium and silicon metal. AMG Technologies produces titanium aluminides and titanium alloys for the aerospace market; designs, engineers, and produces advanced vacuum furnace systems; and operates vacuum heat treatment facilities, primarily for the transportation and energy industries.

With approximately 3,100 employees, AMG operates globally with production facilities in Germany, the United Kingdom, France, the Czech Republic, the United States, China, Mexico, Brazil, India, Sri Lanka and Mozambique, and has sales and customer service offices in Russia and Japan (www.amg-nv.com).

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Disclaimer

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